

Message Text

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SUBJ: 20TH UNDP GOVERNING COUNCIL: BUDGETARY AND FINANCE COMMITTEE

SUMMARY. BUDGETARY AND FINANCE COMMITTEE COMPLETED ITS EXAMINATION OF BUDGET, FINANCE AND ADMINISTRATIVE MATTERS JUNE 18. IN PROCEEDINGS USDEL INFORMED COMMITTEE OF LOWER THAN PROJECTED U.S. CONTRIBUTIONS FOR 1974 AND 1975, QUESTION OF EXPERT COSTS VARIANCE ACCOUNT DEFICIT EFFECTIVELY HELD OVER TO 21ST SESSION AND COMPROMISE DECISION AGREED UPON WHICH KEEPS CUSTODIANSHIP OF FUNDS ISSUE ALIVE (IF NOT TOO WELL). END SUMMARY.

1. BUDGETARY AND FINANCE COMMITTEE COMPLETED ITS BASIC WORK JUNE 18. BELOW, BY AGENDA ITEM, ARE MAJOR DEVELOPMENTS AND RECOMMENDATIONS OF THE COMMITTEE.

2. AGENDA ITEM 5(A): FINANCIAL OUTLOOK THROUGH 1976 AND COMPREHENSIVE REPORT ON FINANCIAL ACTIVITIES DURING 1974--USDEL INFORMED COMMITTEE THAT AS RESULT OF RECENTLY ENACTED U.S. FOREIGN ASSISTANCE LEGISLATION, U.S. CONTRIBUTION TO UNDP WOULD BE LIMITED TO APPROXIMATELY \$70.8 MILLION FOR 1974 AND APPROXIMATELY \$77.9 MILLION FOR 1975 (VS. \$90 MILLION PROJECTED BY ADMINISTRATOR FOR EACH OF THOSE YEARS). CONCERN EXPRESSED BY SOME DELEGATIONS (SWEDEN, DAHOMEY) AS TO WHETHER THIS DEVELOPMENT COULD LEAD TO PROGRAM NOT BEING IMPLEMENTED IN FULL. COMMITTEE AGREED TO RECOMMEND TO GOVERNING COUNCIL THAT REVISED ESTIMATES BE PROVIDED TO JANUARY SESSION IN ORDER TO BETTER ASSESS RESOURCES SITUATION

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AT THAT TIME (IN LIGHT BOTH OF CHANGED U.S. CONTRIBUTION PROJEC-

TION AND OF POSSIBLE INCREASED CONTRIBUTIONS BY OTHER MEMBERS.

3. THE ADMINISTRATOR'S PROPOSAL TO OFFSET A PROJECTED \$87.4 MILLION DEFICIT IN THE EXPERT COSTS VARIANCE ACCOUNT AT END OF 1976 AGAINST THE PROJECTED NET PLANNING SURPLUS AT END OF THE CYCLE DID NOT CARRY IN COMMITTEE. MEMBER VIEWS DIFFERED WIDELY AS TO WHEN TO DEAL WITH THE DEFICIT, AND HOW TO DO IT MOST EQUITABLY. IN THE END IT WAS AGREED TO RECOMMEND THE GOVERNING COUNCIL ASK THE ADMINISTRATOR TO REVIEW IN DETAIL THE USE OF THE STANDARD COST PROCEDURE AND TO MAKE A REPORT TO THE 21ST SESSION. THE REPORT WOULD INCLUDE RECOMMENDATIONS FOR FUTURE STANDARD COST PROCEDURES AND FURTHER PROPOSALS FOR DEALING WITH THE DEFICIT. IN MEANTIME THE NET PLANNING SURPLUS WOULD NOT BE USED FOR ANY OTHER PURPOSE BEYOND NEW IPF'S. GENERAL ENDORSEMENT WAS GIVEN BY COMMITTEE TO CARRYING FORWARD UNSPENT PROGRAM RESERVE FUNDS TO 1975.

4. THE ADMINISTRATOR'S SUGGESTION THAT THE EXCESS IN NON-CONVERTIBLE CURRENCIES ON HAND (A RESULT PRINCIPALLY OF CONTRIBUTIONS FROM SOCIALIST COUNTRIES) BE ISOLATED FROM FULLY USABLE UNDP RESOURCES FOR PLANNING PURPOSES MET WITH EXPECTABLE OBJECTIONS FROM COMMUNIST COUNTRIES. UK, INDIA AND OTHERS EXPRESSED CONCERN AT ANY KIND OF VOLUNTARY CONTRIBUTION FROM A MEMBER BEING REFUSED. COMMITTEE RECOMMENDED ADMINISTRATOR SHOULD CONTINUE TO EXPLORE WITH CONTRIBUTORS OF NON-CONVERTIBLE CURRENCIES MEANS FOR THEIR USE.

5. AGENDA ITEM 5(B): AUDIT REPORTS AND ACCOUNTS, UNFPA--COMMITTEE RECOMMENDED GOVERNING COUNCIL NOTE DP/119.

6. AGENDA ITEM 5(C): 1976 BUDGET ESTIMATES, ADMINISTRATIVE AND PROGRAM SUPPORT SERVICES--AS A RESULT OF CONCERNS EXPRESSED ON BROAD FRONT BY MEMBERS WITH REGARD TO SIZE OF PROPOSED 1976 BUDGET AND PROPOSED STAFF INCREASES AND RECLASSIFICATIONS, DEPUTY ADMINISTRATOR LINDSTROM OFFERED SPECIFIC CUTBACKS IN REQUESTS FOR NEW POSTS. AFTER EXTENSIVE DEBATE AND CORRIDOR DISCUSSIONS, IT FINALLY AGREED REQUEST FOR INCREASE IN PROFESSIONAL POSITIONS WOULD BE CUT BY 50 PERCENT (FROM 16 TO 8) AS WELL AS PROPOSED HEADQUARTERS PROFESSIONAL RECLASSIFICATIONS (FROM 20 TO 10). REQUEST FOR ADDITIONAL LOCALLY RECRUITED FIELD STAFF POSITIONS REDUCED FROM 120 TO 100. ESTIMATED OVERALL SAVINGS WOULD BE IN NEIGHBORHOOD \$250,000.

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7. UNDER THIS AGENDA ITEM ADMINISTRATOR HAD ALSO REQUESTED AUTHORITY TO MAKE TRANSFERS BETWEEN BUDGET SECTIONS OF UP TO 10 PERCENT OF THE "SENDING" SECTION. BUDGETARY AND FINANCE COMMITTEE WAS RELUCTANT TO ENDORSE THIS PROPOSAL. INSTEAD, BORROWING FROM UN PRACTICE, IT RECOMMENDED THAT SOLELY FOR 1976 ADMINISTRATOR BE AUTHORIZED TO MAKE TRANSFERS BETWEEN BUDGET SECTIONS "WITHIN REASONABLE LIMITS AND SUBJECT TO AGREEMENT OF ACABQ."

8. AGENDA ITEM 5(D): CUSTODIANSHIP OF FUNDS--ASSISTANT ADMINISTRATOR OLVER, ON BEHALF ADMINISTRATOR PETERSON, MADE STRONG PLEA FOR TRANSFER INVESTMENT DECISION AUTHORITY FROM UN TO UNDP. SUGGESTED THAT IF THIS NOT DONE GOVERNING COUNCIL SHOULD CONSIDER MODIFYING PARA 30 OF CONSENSUS WHICH ENTRUSTS ADMINISTRATOR WITH RESPONSIBILITY FOR UNDP FUNDS. IN FACE RELUCTANCE MANY DELEGATIONS TO ACT CONTRARY ACABQ RECOMMENDATION, ADMINISTRATION EVENTUALLY INDICATED ITS ACCORD WITH A DRAFT DECISION ALONG FOLLOWING LINES TO BE SENT TO GOVERNING COUNCIL BY COMMITTEE FOR ITS APPROVAL. BEGIN TEXT.

RECONFIRMS THE PROVISIONS OF PARAGRAPH 30 OF THE CONSENSUS PROVIDING THE SECRETARY-GENERAL THE CUSTODIANSHIP OF THE UNDP FUNDS.

REQUESTS THE SECRETARY-GENERAL TO CONSULT WITH THE ADMINISTRATOR WITH A VIEW TO GRANTING TO THE LATTER A SUFFICIENT DELEGATION OF AUTHORITY TO PERMIT HIM TO FULFILL PROPERLY THE RESPONSIBILITIES ENTRUSTED TO THE ADMINISTRATOR IN THE SAME PARAGRAPH OF THE CONSENSUS, PARTICULARLY HIS RESPONSIBILITY FOR THE MANAGEMENT OF THE FUNDS OF THE PROGRAM.

REQUESTS THE ADMINISTRATOR TO REPORT ON PROGRESS AT THE 21ST SESSION OF THE COUNCIL. END QUOTE. WE UNDERSTAND ADMINISTRATOR PETERSON FEELS AN ACCOMMODATION WITH UN SECY-GENERAL CAN BE WORKED OUT ON BASIS OF SUCH A DECISION.

9. AGENDA ITEM 5(F): EXCESS OVERHEAD COSTS DRAWN BY EXECUTIVE AGENCIES--WITH MINIMAL DISCUSSION COMMITTEE AGREED RECOMMEND THE GOVERNING COUNCIL APPROVE PROPOSED WRITE-OFFS OF \$3,190,000 IN EXCESS OVERHEAD COSTS DRAWN BY EXECUTING AGENCIES PRIOR TO 1972. BASIS FOR THE WRITE-OFFS WAS AN AGREEMENT IN PRINCIPLE BETWEEN UNDP ADMINISTRATOR AND FAO DIRECTOR GENERAL THAT \$2,200,000 OF THE \$4,976,130 EXCESS OVERHEADS FAO HAD DRAWN DOWN COULD BE WRITTEN OFF BY UNDP.

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11. AGENDA ITEMS 5(E)--FINANCIAL IMPLICATIONS OF TCDC REGIONAL MEETINGS AND SYMPOSIUM; AND 6(F)--UNFPA 1976 ADMINISTRATIVE AND PROGRAM SUPPORT SERVICES BUDGET--WILL BE REPORTED ON SEPARATELY.

11. COMMITTEE WILL MEET JUNE 24 TO CONSIDER DRAFT REPORTS ON ABOVE ITEMS FOR FORWARDING TO PLENARY.DALE

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